

To the Members of the California State Senate:

I am returning Senate Bill 974 without my signature.

This bill would impose a maximum fee of \$30 per twenty-foot equivalent unit on each shipping container processed in the Ports of Los Angeles, Long Beach and Oakland. The revenues would be used for two broad purposes: to alleviate congestion of the ports by funding projects to improve the flow and efficiency of the ports and to mitigate air pollution caused by the movement of cargo to and from the ports.

Improving the quality of life for all Californians through congestion relief and environmental mitigation has been one of my highest priorities, as evidenced by the introduction of my Strategic Growth Plan and the passage of the Proposition 1B transportation bond which I supported. Proposition 1B provides \$1 billion in new funding to improve air quality in California which will directly benefit the communities in and around the Ports of Long Beach, Los Angeles, and Oakland. The measure also provides \$1 billion to address port mitigation issues, \$2.1 billion for trade infrastructure, and \$100 million for port security funding.

Although the bill's policy objectives to provide additional funding for congestion relief and environmental mitigation are laudable, this measure is problematic in its implementation.

This bill does not provide necessary assurances that projects will achieve the greatest cost-effectiveness, emission reductions, and public health protection. Also, the bill does not adequately provide the San Joaquin Valley with access to funds to reduce pollution related to container cargo coming directly to and from the ports throughout the Valley.

Additionally, this bill would not provide any mechanism for the coordination and integration of infrastructure projects. As such, this bill would fail to provide long-term, strategic planning for the state's goods movement infrastructure. State and regional entities have already developed congestion relief and environmental mitigation plans, including the Goods Movement Action Plan and Emission Reduction Plan. Yet this bill would provide very little oversight to ensure compliance with these plans. In addition to lacking the coordination needed for long-term strategic growth, this bill misses the

opportunity to leverage billions of dollars in available funding through public-private partnerships, which could otherwise increase investments in infrastructure geometrically.

Given the current economic downturn, it is vitally important that the state does not worsen the situation by mandating added costs on business that do not provide any public benefit. Since this bill was introduced, container fees have been raised by the ports at a rate 67% higher than the fee contemplated in this bill to pay for many of the same programs. Careful consideration must be given to any proposed solution as to its potential impact to our state's economy.

I have been publicly supportive of the concepts in this bill for over a year. My Administration worked with stakeholders of all interests to craft a bill that I could sign into law. Unfortunately, the bill does not include amendments requested by my Administration that would address the critical shortcomings of this legislation. I encourage the Legislature to develop legislation that provides proper guidance, oversight and accountability, ensures that the San Joaquin Valley is eligible for funds to address port-related cargo pollution, and allows for varied congestion reduction infrastructure.

For these reasons, I am returning this bill without my signature.

Sincerely,

Arnold Schwarzenegger